

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Modification of Analytical Principles  
in Periodic Reporting  
(Proposals Nine through Fifteen)

Docket No. RM2012-1

Reply Comments of the Public Representative

(December 12, 2011)

## Introduction

The Public Representative ("PR") hereby responds to several comments in the Postal Services Reply Comments. *Response Of The United States Postal Service To Comments Of The Public Representative ("Reply Comments"), filed December 9, 2011.*

### **Proposal Twelve:** Modification of the Standard Mail Presort Letters Mail Processing Cost Model

The Postal Service states that "the Public Representative is incorrect in his understanding of Proposal Seventeen and incorrect regarding the effect of Proposal Seventeen (in Docket No. RM2012-2] on proposal Twelve. The Postal Service makes two points supporting this claim:

1. "The Public Representative is also largely incorrect in asserting that the input sub system (ISS) and output sub system (OSS) costs would no longer be available if the Commission were to approve Proposal Seventeen"; and
2. The Public Representative is wrong that productivity values for workloads from ISS and OSS activities will no longer be available.

*Reply Comments at 4-5.*

The Postal Service did not understand the first point made by the PR as it was intended to be understood. The PR was referring to the mailflows that are used in the engineering models, which flow 10,000 pieces of mail through various operations depending on productivity, density and other factors at different levels of mail processing depicted in the engineering models.

With regard to the second point, the Postal Service admits that if the Commission approves Proposal Seventeen that "distinct ISS and OSS productivities

would no longer be measureable.” *USPS Reply Comments at 4*. The PR submits that the absence of distinct productivity measures for the ISS and OSS could throw into question the accuracy of the unit attributable costs of MAADC and AADC letters proposed by the Postal Service in this docket. The PR maintains that the Commission should reject Proposal Twelve, *as submitted*, and request the Postal Service to modify the models based on the productivity measures for ISS and OSS it would use if the Commission were to accept Proposal Seventeen. It should determine whether or not the new models provide reasonably accurate measures of the unit attributable costs of MAADC and AADC letters upon this basis, and not based upon the models the Postal Service originally submitted to support this proposal.

**Proposal Fourteen:** Changes in Special Services Cost Models

The Postal Service misunderstands the argument the PR made in its comments. First it claims that the PR appears to believe “that waiting time and miscellaneous costs are attributed to products on their relative number of transactions.” *USPS Reply Comments at 6*. In fact, the PR Comments state if any of the services listed in this proposal “fall in the categories ‘Other Customer Related Window Activity,’ ‘Other Window Related Office-Activity,’ ‘Other Ancillary Services,’ or if they are explicitly identified as an Ancillary or Special Service in CS03-NP.XLS, Sheet: 3.2.1, they currently have ‘waiting time’ and ‘miscellaneous costs’ attributed to them. *PR Comments at 8*.

The PR agrees that, at times, it states that waiting time and miscellaneous time, rather than costs, are already distributed to Ancillary Services, Other Ancillary Services, and Products. The Commission should not accept the Postal Service’s

grammatical hair-splitting as a reason to recognize the validity of the PR's position, since waiting costs and miscellaneous costs are based on time.

The Postal Service also mischaracterizes the PR's Comments when it implies that the PR rejected the addition of waiting time costs and miscellaneous costs to Special Services. *USPS Reply Comments at 6*, ignoring the Table on page 9 of its Comments, which state that Other Special Services such as ZIP Coding of Mailing List and Correction of Mailing List "do not have a specific cost in Segment 3 of the B-workpapers, which receive a share of waiting and miscellaneous costs. *PR Comments at 9*. The PR agreed that these two Special Services should be attributed a share of waiting and miscellaneous costs. *Ibid*.

The Postal Service ignores the PR's claim that Other Ancillary Services already receive a share of miscellaneous costs and waiting time costs, independent of the distribution of these costs to the products to which they are paired. The PR classified Caller Service, Certificate of Mailing, Signature Confirmation, Periodicals Application, PO Box Key and Lock, and Restricted Delivery as Other Ancillary Services, based on its reading of the Postal Service's proposal and the DMM. If the Postal Service can document these are Special Services or Other Special Services, the PR would agree they should be allocated a share of waiting and miscellaneous costs. The PR recommends the Commission ask the Postal Service to clarify whether these services are Special Services, Other Special Services, Ancillary Services, or Other Ancillary Services, so it may determine whether or not it would be appropriate to accept the addition of waiting costs and miscellaneous costs to them being proposed.

**Proposal Fifteen:** New Cost Model Estimates of Return Receipt and Return Merchandise Services

Here, the Postal Service similarly ignores the PR's contention that Special Services and Other Special Services should receive a share of waiting time costs and miscellaneous costs. The PR claimed that "[a]ll of the services listed in this proposal are Other Ancillary Services, which it maintained in Proposal Fourteen already receive an allocation of waiting time costs and miscellaneous other costs. *PR Comments at 10.* If the Postal Service can document that the Services listed in Proposal Fifteen are Special Services or Other Special Services, the PR would agree they should be allocated a share of waiting and miscellaneous costs, but not if they are Ancillary Services, Other Ancillary Services, or are a specific product. The PR recommends the Commission ask the Postal Service to explain whether these services are Special Services, Other Special Services, Ancillary Services, or Other Ancillary Services, so it may determine whether or not it would be appropriate to accept the addition of waiting and miscellaneous costs to them in Proposals Fourteen and Fifteen.

Conclusion

The Public Representative respectfully submits these comments for consideration.



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